

HOUSE BILL REPORT

SHB 1719

As Passed Legislature

Title: An act relating to school district bidding requirements.

Brief Description: Regarding school district bidding requirements.

Sponsors: By House Committee on State Government Operations & Accountability (originally sponsored by Representatives P. Sullivan, Cox, Hunt, Simpson and Williams).

Brief History:

Committee Activity:

State Government Operations & Accountability: 2/16/05, 3/2/05 [DPS].

Floor Activity:

Passed House: 3/10/05, 94-0.

Passed Senate: 4/12/05, 35-10.

Passed Legislature.

Brief Summary of Substitute Bill

- Increases the bid limit requirements for school districts.

HOUSE COMMITTEE ON STATE GOVERNMENT OPERATIONS & ACCOUNTABILITY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Haigh, Chair; Green, Vice Chair; Nixon, Ranking Minority Member; Clements, Assistant Ranking Minority Member; Hunt, McDermott, Miloscia, Schindler and Sump.

Staff: Marsha Reilly (786-7135).

Background:

When the cost of any furniture, supplies, equipment, building, improvements or repairs, or other work or purchases, excluding books, exceeds \$50,000, a school district must engage in a competitive bid process. Complete plans and specifications must be prepared and notice published in at least one newspaper of general circulation for two consecutive weeks. The bids must be in writing and must be opened and read in public.

For purchases, excluding books, estimated to cost from \$15,000 to \$50,000, the school board must secure telephone and/or written quotations from at least three sources and must record the quotations for public perusal.

Projects or purchases made through competitive bid or quotation processes are awarded to the lowest responsible bidder, but the school district may reject any and all bids.

A school district may make improvements or repairs to district property through the district's shop and repair department when the total cost does not exceed \$10,000. This limit is extended to \$15,000 for districts with 15,500 or more full-time equivalent students or, for districts with fewer than 15,500 students, if more than one craft or trade is involved in the improvement or repair. Projects exceeding these limits must be bid competitively. However, school districts may use the small works roster process for any project estimated to cost \$200,000 or less.

Under the small works roster process, a single roster may be established or rosters may be established for different specialties or categories of anticipated work. Where applicable, small works rosters may make distinctions between contractors based upon different geographic areas served by the contractors. Generally, the process requires the public body to solicit names of responsible contractors to be included on the rosters on a yearly basis. When projects arise, quotations must be invited in a manner that will equitably distribute the opportunity among contractors on the appropriate roster. Quotations must be obtained from at least five contractors in order to assure that a competitive price is established. Contracts are awarded to the lowest responsible bidder. Contracts estimated to cost less than \$35,000 may be let using the limited public works process. Under this process quotations are invited from a minimum of three contractors from the appropriate roster with award to the lowest responsible bidder.

Summary of Substitute Bill:

School districts may make a purchase of furniture, supplies, or equipment of up to \$40,000 without using a formal bid procedure. Purchases estimated to cost between \$40,000 and \$75,000 may be made by securing telephone or written quotes from at least three different sources. Any purchase estimated to be in excess of \$75,000 must be made using a formal bid procedure.

A school district may use in-house labor for building, improvements, or repairs estimated to cost \$40,000 or less without using a bid procedure. Projects estimated to cost between \$40,000 and \$100,000 must use a competitive bid process, and projects in excess of \$100,000 must use a formal bid procedure in which complete plans and specifications are prepared and notice published.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (In support of original bill) The current limit does not recognize in-house expertise and the limit has not been raised since 1994. Limits have been raised a number of times for other entities. The bid requirements are too low and the bid process takes time and money. Public school employees support the bill. Limits have been raised a number of times for other entities. There needs to be a mechanism in place to keep pace with inflation. There are occasions where it makes sense to have in-house staff do projects based on their expertise with school systems. The purchasing cooperative has greatly reduced fees over the years but the overhead is too high. The limit has not been raised in over a decade and needs to be addressed. It will allow school districts to perform work in-house or put it out to bid. Schools are accountable to the public just like the Legislature and there are occasions where it would be more efficient to bid.

(With concerns on original bill) This is a massive increase in bid limits. There is no certainty how much money is left on the table. There is no sure way to determine how much a job costs. An inflator based on the Central Price Index (CPI) is more realistic. King County Purchasing Cooperative in supportive of the limits on construction, but not on purchases.

Testimony Against: (Opposed to original bill) The Associated General Contractors oppose the bill. More work in-house means there is less work contracted out. Bid limits should be consistent with city and county increases. It would be more acceptable if the increase were tied to the central price index. School districts can use the small works or limited works process. This is a massive increase in bid limits. There is no sure way to determine how much a job costs and no certainty how much money is left on the table. An increase based on the CPI is more realistic. The value of a project is not known until it is bid. This bill hurts small business. Contractors pay taxes but there is no money to pay taxes if the work is done in-house.

Persons Testifying: (In support of original bill) Representative P. Sullivan, prime sponsor; David Westberg; International Union of Operating Engineers, Local 609; and Ken Kanikeberg, Public School Employees of Washington.

(With concerns on original bill) Jim Borrow, King County Directors Association Purchasing Cooperative.

(Opposed to original bill) Larry Stevens, Mechanical Contractors Association of Western Washington and National Electrical Contractors Association; and Gary Smith, Independent Businesses Association.

Persons Signed In To Testify But Not Testifying: None.